

**CALIFORNIA BOARD OF ACCOUNTANCY**

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**Latest Developments Related to  
Practice Privilege and Foreign Accountant Law Changes  
Updated September 7, 2006**

[Assembly Bill 1868](#) (Bermudez), related to practice privilege and foreign accountant practice, has passed both the Senate and the Assembly and is now going to the Governor for his consideration. Because AB 1868 is an urgency bill, it will go into effect immediately upon the Governor's signature.

On August 21, 2006, while AB 1868 was in the Senate, final amendments were added to the bill. These amendments would:

Add an additional condition to the temporary practice provision. Under the amended provision, out-of-state CPAs, PAs, and public accounting firms may temporarily practice in California incident to practice in another state provided that the individual or out-of-state firm does not solicit California clients, does not assert or imply that the practitioner or firm is licensed or registered to practice public accountancy in California, and does not engage in the development, implementation, or marketing to California consumers of any abusive tax avoidance transaction.

Clarify the Board's authority to adopt a reduced fee for practice privilege holders who do not sign attest reports and authorize the fee reduction to be adopted as an emergency regulation.

The other provisions in AB 1868 have not changed and would do the following:

- A. Allow a practice privilege holder to practice in California and sign in the name of his or her firm even if the firm is not registered by the CBA.
- B. Permit foreign accountants to engage in temporary and incidental practice related to engagements in the foreign country, regulated by the foreign country, and performed under the accounting or auditing standards of that country provided the accountant does not hold out as a holder of a California license or practice privilege.
- C. Affirm the CBA's disciplinary authority over any individual or firm performing any act which is the practice of public accountancy in California.
- D. Require that the "safe harbor" period for late practice privilege notifications remain in effect until December 31, 2010.

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